

that the 6 percent provision had, in fact, been violated, that the costs in a number of cases had exceeded the statutory limit of 6 percent. It was also our conclusion that a flat, arbitrary limit of 6 percent was not realistic from two standpoints:

One, it tended to cause a contracting agency to perhaps be a little less stringent if the costs were under 6 percent and, second, that in a number of cases it was quite obvious that 6 percent was an unrealistically low limitation.

So on both of these counts we felt that the 6-percent limit should be removed. The provision which the architect and engineering organizations have quarreled with is that we believe the present statutes do, in fact, require that there be negotiation. This does not mean that there cannot be two-step negotiations. This is the argument that these groups, I think conveniently, do not want to report. This two-step negotiation process is one in which you could engage in negotiations and discussions with a number of organizations and then limit price discussion to those which do come in with good proposals.

What we are in effect saying is that we do not think that price needs to be determinative, and, in fact, our assumption would be that in a very large number of cases this would not happen. It would be on the basis of the proposal, the merits of that proposal, rather than on the basis of the price alone.

We are, frankly, having great difficulty understanding why they feel that price would automatically govern, except for the general assumption that perhaps our organization and the Congress would be quarreling with any contract let where there is a lower bid.

This is a fear which is not fully justified or founded. It may be that it is not well understood, what two-step negotiation would involve, although we have had extensive discussions before and after our report with these organizations on the subject.

Chairman PROXMIER. That seems to be a moderate and a careful statement. I would agree wholeheartedly with it. At any rate, it seems clear that you could hardly affect the situation adversely if you had some element of price competition involved. You would certainly be able to rely on a selection based on merit, as you say. The present system relies on political preference to some extent. We all know that. It is a fact of life. It also relies, by and large, on getting the same people to do the same job over and over again. Very often this eliminates an opportunity for some of the finest architects in the country, and keeps some of the engineers who ought to have the opportunity from getting into this work.

Mr. STAATS. Management consulting organizations that deal with the Government, and there are many of them, have become used to this two-step negotiation process. It has worked very effectively.

Chairman PROXMIER. Theirs is certainly a profession in which the quality of the professionalism is of the greatest importance. You say they have been brought in on the basis at least a price element and a price consideration?

Mr. STAATS. Yes.

Mr. WEITZEL. Mr. Chairman, our view, we feel, has solid statutory support in this same Truth in Negotiations Act and in another provision which has not received as much public attention as the re-